

2-12-2001

# University of Northern Iowa Faculty Senate Meeting Minutes, February 12, 2001

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## **Summary of Faculty Senate Meeting 02/12/10**

01

### **CALL TO ORDER**

### **APPROVAL OF THE MINUTES**

January 22, 2001

### **ANNOUNCEMENTS**

1. **Call for Press Identification**
2. **Comments from Chair Nelson**
3. **Comments from Faculty Chair, Jim Kelly**
4. **Comments from Provost Podolefsky**

### **CONSIDERATION OF CALENDAR ITEMS FOR DOCKETING**

- 770 Request for Emeritus Status for Michael H. Millar,  
Department of Mathematics, retirement effective June 30,  
2001

Docketed in regular order as item 686.

- 771 Consider a request from the General Education Committee  
to change the name of the General Education Program

Docketed for the 03/26/01 meeting as item 687.

- 772 Receive an announcement from the General Education  
Committee of the Review of Category III of the General  
Education Program

Docketed in regular order as item 688.

- 773 Receive a resolution from Northern Iowa Student  
Government, "Support of the Sexual Orientation  
Amendment to Cedar Falls City Code"

Docketed in regular order as item 689.

- 774 Consult regarding information about the Faculty Senate  
to be included on the Faculty Senate Home Page

Docketed in regular order as item 690.

### **NEW BUSINESS**

Name a Representative to the Committee Developing a "My Universe" Portal for Faculty and Staff

Senator Power was self nominated, seconded by Senator Cooper, and elected by acclamation.

### **OLD BUSINESS**

Report from the University Curriculum Committee regarding revisions to the Curriculum Review Process

Tabled as the Senate has not yet received the report.

### **CONSIDERATION OF DOCKETED ITEMS**

- 770    686    Approved request for Emeritus Status for Michael H. Millar, Department of Mathematics, retirement effective June 30, 2001
  
- 771    687    Delayed action on a request from the General Education Committee to change the name of the General Education Program. Docketed for March 26 meeting to allow time for input from the College senates.
  
- 772    688    Approved request to receive announcement from the General Education Committee of the Review of Category III of the General Education Program.
  
- 773    689    Approved request to receive a resolution from Northern Iowa Student Government, "Support of the Sexual Orientation Amendment to Cedar Falls City Code"
  
- 774    690    Accepted request to consult regarding information about the Faculty Senate to be included on the Faculty Senate Home Page

### **ADJOURNMENT**

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**DRAFT FOR SENATOR'S REVIEW**

**MINUTES OF THE UNIVERSITY FACULTY SENATE MEETING -  
02/12/01**

1562

**PRESENT:** Mary Boes, Karen Couch Breitbach, David Christensen, Carol Cooper, Jim Kelly, Syed Kirmani, Lauren Nelson, Chris Ogbondah, Dan Power, Tom Romanin, Laura Terlip, Kay Treiber, Richard Utz, Barbara Weeg.

Mary Boes will replacing Katherine van Wormer for Spring semester.

**ABSENT:** Kenneth Basom, Ali Kashef, Shahram Varzavand, Mir Zamen and Dhirendra Vajpeyi.

**CALL TO ORDER:** Chair Nelson called the Senate to order at 3:21 p.m.

**APPROVAL OF MINUTES**

Senator Terlip moved to approve the minutes of the 01/22/01 meeting; second by Senator Utz.

Approval of the minutes as corrected was passed.

**Comments from Chair Nelson.**

Chair Nelson met with Nick Bambach, from Human Resources regarding the retirement programs. A report was submitted to him from the representatives of the Faculty Senate, Professional and Scientific Council, Supervisory and Merit Advisory Council and the Merit Staff Advisory Committee. The report had contributions from two members of the Senate, Carol Cooper and Kay Treiber, who were our representatives to the Ad Hoc Committee. Mr. Bambach indicated that he will forward the report in its entirety to the Regents Board.

**Comments from Faculty Chair, Jim Kelly**

Dr. Kelly reported that the committee that has been reviewing and editing the Constitution has been meeting, and hope to have something for the Senate's review by the end of March. Senator Couch Breitbach, Senator Terlip and Dr. Kelly met and will also have some items related to the General Education discussion for the Senate to review. At least one item will be available for the 02/26/01 Senate meeting.

Invitations for the NCA meeting next Monday, 02/19/01, have gone out to all faculty. We would like to have a strong showing of the faculty and the P&S employees, who will be meeting at the same time. Russell Hall auditorium has been reserved from 3:00 - 5:00 p.m. but the meeting will most probably end around 4:00 p.m. The NCA people have requested this time to visit with us and we would like to have the Faculty Senate present as well as faculty constituencies.

Dr. Kelly noted that there is a Web site that rates faculty, good or bad. Senator Utz reported that it is at "Pantherswap", an MSN web site. It was noted that the rating of faculty members is something that has been going on for a long time in various formats. Senator Ogbondah noted with concern that there are studies showing relationships between how faculty grade and how students perceive their professors.

The next Presidential discussion group has been changed to March 20, 2001, 4:00 - 5:30 p.m., with 15 - 20 already signed up. The topic is to be diverse ways and tools for learning. Dr. Kelly noted that the last discussion group, which addressed standards, was very effective and President Koob was very excited about it. Senators and their colleagues were urged to attend. There will one more discussion group meeting after the one in March.

**Comments from Provost Podolefsky.**

Provost Podolefsky noted that it is critically important for the faculty to be heard at the NCA open forum as reaccreditation happens only once a decade. He is pleased with the self study document and hopes the senate has had a chance to look at it.

Collective bargaining is continuing, and progress is being made. Tenure and promotion letters are due by March 1.

The budget proposal by the cabinet, involving the allocation of the new student tuition, is on the web. It does not include the items we intend to send to the legislature as part of the strategic initiatives. Each year we have included our proposed spending of tuition, plus the proposed new spending of legislative initiatives from the previous year. This year there were no initiatives from the previous year. No new budget proposals are being called for. There is \$1 million set aside for new faculty lines which is the biggest request in the past decade. That will be allocated less the adjunct cost; a line, less \$17,000. Our target is to put tenure-track faculty back in the classrooms as opposed to just adding faculty. These lines should be available for Fall 2001,

Provost Podolefsky also noted that there are a number of items included in the budget that are "pre-existing commitments", such as 19% set aside for student aid, \$400,000 Academic Affairs - Performing Arts Center. These items were discussed. Chair Nelson noted that two of the budget items, the MEMFIS project and the integrated marketing, will be presented to the Senate in future meetings.

Senator Romanin questioned how the new lines will be inserted into the system. Provost Podolefsky responded that the deans were asked to submit their top priorities and those numbers add up to about 20 faculty. He also noted that in some departments over 50% of the classes are taught by non-tenure track faculty, and those are key targets. Senator Romanin also noted that as tuition increases so does student involvement in deciding where their money goes.

#### **CONSIDERATION OF CALENDAR ITEMS FOR DOCKETING**

770 Request for Emeritus Status for Michael H. Millar, Department of Mathematics, retirement effective June 30, 2001.

Motion to docket in regular order was made by Senator Utz; second by Senator Christensen. Docketed as item 686. Motion carried.

771 Consider a request from the General Education Committee to change the name of the General Education Program.



Senator Cooper requested that input be obtained by the individual colleges before docketing. Discussion followed. Senator Power, a college senate chair, reported that their senate is meeting once a month and we could have input from them by mid-March.

Senator Cooper moved to docket this item for the March 26 meeting, with a follow-up request to forward it to the college senates for their commentary and on to the Faculty Senate and the General Education Committee; second by Senator Ogbondah. Motion carried.

It was also decided that the Faculty Senate will place an ad in the Northern Iowan stating that this item has been docketed for the March 26 meeting and that faculty and students are welcome to attend that meeting. It will also be posted on the UNI Today web site.

772 Receive an announcement from the General Education Committee of the Review of Category III of the General Education Program.

Motion to docket in regular order was made by Senator Cooper; second by Senator Cooper; second by Senator Treiber. Docketed as item 688.

Motion carried.

773 Receive a resolution from Northern Iowa Student Government, "Support of the Sexual Orientation Amendment to Cedar Falls City Code".

Motion to docket in regular order was made by Senator Romanin; second by Senator Utz. Docketed as item 689.

Motion carried.

774 Consult regarding information about the Faculty Senate to be included on the Faculty Senate Home Page.

Motion to docket in regular order was made by Senator Cooper; second by Senator Kirmani. Docketed as item 690.

Motion carried.

**New Business**

The Faculty Senate has been asked to name a person to represent the faculty on a committee that is being formed to develop a "My Universe" portal for faculty and staff, similar to those that have been developed for the students. Provost Podolefsky provided information about the portals as they have been developed for students. This is a committee that meets on Wednesday's at 2:30 p.m., every other week.

Senator Power self nominated. Senator Cooper moved to closed nominations; second by Senator Kirmani. Senator Power was elected was by acclamation.

**Old Business**

The report on revisions to the curriculum process was tabled as the senate has not yet received the report from the University Curriculum Committee.

**Consideration of Docketed Items**

686 Request for Emeritus Status for Michael H. Millar, Department of Mathematics, retirement effective June 30, 2001.

Motion to approve by Senator Kirmani; second by Senator Christiansen. Motion passed.

It was noted that Professor Millar is one the longest serving faculty members at UNI, is also involved with the Latin American studies program, and has made many contributions to the university.

688 Receive an announcement from the General Education Committee of the Review of Category III of the General Education Program.

Motion to approve by Senator Terlip; second by Senator Romanin. Motion passed.

Chair Nelson noted that she had notified Lynn Brant, Chair of the General Education Committee that the Faculty Senate would like to receive their report to add to our minutes.



689 Receive a resolution from Northern Iowa Student Government, "Support of the Sexual Orientation Amendment to Cedar Falls City Code"

Motion to receive and endorse by Senator Cooper on behalf of Senator van Wormer; second by Senator Romanin.

Discussion followed. Senator Romanin noted that endorsing this is consistent with our position as a university. He also provided information as to how this resolution came about in the Northern Iowa Student Government meeting.

Chair Nelson recommended amending the motion to include "receive and endorse the resolution, recognizing that the university already has included sexual orientation under its policy of nondiscrimination."

There was discussion as to whether the Faculty Senate's passage of the resolution will have an impact on the Cedar Falls City Council.

Motion passed with amendment to include "To receive and endorse the resolution from the Northern Iowa Student Government, 'Support of the Sexual Orientation Amendment to Cedar Falls City Code', with the recognition that the University of Northern Iowa has included sexual orientation in its policy on nondiscrimination." One opposed.

690 Consult regarding information about the Faculty Senate to be included on the Faculty Senate Home Page.

Discussion followed as to editing the description currently included in the Faculty Constitution. Senator Terlip suggested "Among the major functions of the Senate are;" and then using "bullets" to note those items. Chair Nelson urged the senate members to email suggested changes to her and she will email the changes to the Senators.

Motion to adjourn by Senator Ogbondah; second by Senator Couch Breitbach.

Meeting was adjourned at 4:30 p.m.

Submitted by  
Dean Snowden, Faculty Senate Secretary



MEMORANDUM

TO: Nick Bambach  
Jan Flick  
Robert Koob  
Aaron Podolefsky  
Renee Romano  
Eunice Dell  
Bill Calhoun  
Pat Geadelmann

FROM: Doreen Hayek

DATE: February 20, 2001

SUBJECT: Response to a Request for Commentary on the Viability of the Current Retirement Incentive Programs

Attached is a slightly revised "Response to a Request for Commentary on the Viability of the Current Retirement Incentive Programs" document. You may throw away the previous version we sent you. After sending out the previous document, Campus Voices met with Nick Bambach and Jan Flick, both of HRS, to discuss our response. At that meeting, we agreed to add some of Professor Thompson's wording to the body of our document and we added a request that UNI have a centralized reporting mechanism for early retirement program requests, denials and withdrawals. Nick told us that he will be sending our report, along with the other feedback that he received from UNI employees, directly to the board office.

If any of you have questions about the content of our report, please feel free to contact any of the members of Campus Voices.

Attachment

~~c:~~ Campus Voices

TO: Nick Bambach, Director Human Resource Services

CC: Robert Koob, Aaron Podolefsky, Eunice Dell, Bill Calhoun, Pat Geadelmann, Renee Romano

RE: Response to a Request for Commentary on the Viability of the Current Retirement Incentive Programs

FROM: Campus Voices  
Doreen Hayek, Chair of Campus Voices, P&S Council  
Lauren Nelson, Faculty Senate  
Karen Paulsen, Supervisory and Confidential Merit Personnel  
Louise Sandvold, Merit Personnel Advisory Committee

DATE: 2/20/01

The faculty and staff of the University of Northern Iowa appreciate the opportunity to provide input to the Cabinet regarding the future of the early retirement and phased retirement incentive programs (retirement incentive programs) at the University of Northern Iowa. An ad hoc committee of faculty, professional and scientific, supervisory and confidential, and merit employees was formed to obtain information from our various constituencies on this issue. The members of the committee were appointed by their respective representative bodies listed above. After consultation with peers and collaboration among the four faculty and staff groups at UNI, the following recommendations, requests and comments are forwarded to you. This report reflects the collective thoughts of the various groups.

The ad hoc committee surveyed university employees through various methods. The committee noted that information gathering was hampered by the constraints of a short time frame (approximately one month), holidays and academic interim. Nonetheless, the committee made every effort to provide an opportunity for all constituents to respond. The committee attempted to contact each staff member by e-mail to solicit input regarding justification for the retirement program options, suggestions for changes to the current programs, suggestions for ways to improve program administration, and opinions regarding cost/benefits of program options. . For faculty, approximately 170 faculty who would most likely be affected by program changes (those hired prior to 7/1/92 and born between 7/37 and 7/50) were polled on similar issues and 140 of them responded. The number of responses the members of the ad hoc committee received to their inquiries indicates that the faculty and staff at the University of Northern Iowa do care about the retirement incentive programs. Virtually all of the responses were in support of continuation of the programs. Review of the input made it apparent that there were common concerns as well as a few differences between the needs and opinions of the constituent groups.



One common finding was nearly universal support for continuation of the programs and the flexibility they provide. **The faculty and staff at the University of Northern Iowa strongly support the continuation of the retirement incentive programs.** This support was based on the perceived financial benefits for both the university and employees, as well as less quantifiable yet significant benefits.

The retirement incentive programs were adopted by the Board of Regents because the programs benefited both the employees and the universities. According to reports made to the Board, *The Annual Reports of Retirement Programs*, for the fiscal years 1998, 1999, and 2000, the phased retirement program resulted in \$4.5 million in savings and the early retirement program resulted in \$15.6 million in savings. Thus, the faculty and staff expressed surprise at suggestions these programs might be discontinued. If the current retirement incentive programs are financially beneficial to both the universities and their employees, a reasonable approach would be to address any problems that have occurred in the administration of the programs, but maintain them as a mutual benefit. If the information available in the Board of Regents reports does not accurately reflect the financial impact of the retirement incentive programs, the faculty and staff at UNI request an explanation of the discrepancy.

Professor A. Frank Thompson of the UNI Finance Department, one of two licensed actuaries in Iowa, completed a financial and actuarial analysis of the retirement incentive programs at UNI. Because his only data bases were the *Annual Reports to the Board of Regents* and a listing of UNI faculty hired prior to 7/1/92 with birth dates between 7/37 and 7/50, he recommends further study. Dr. Thompson states:

“UNI’s financial experience with the early and phased retirement program shows that the university: (1) has obtained significant release funding from the programs (2) has restricted the programs to a few number of participants by categories (Faculty, P&S and Merit), as well as, total numbers in comparison to other regent’s universities and (3) has a large number of phased faculty participants who elect to withdraw from the program before their scheduled retirement period has been completed. In light of these initial findings, my suggestion is that additional information be collected in the following areas: (1) withdrawals of participants 1995 to 2000 (2) survey of phased and early retirement participants 1995 to 2000 and (3) analysis of additional funds released due to program withdrawals from 1995 to 2000.”

However, his initial findings suggest that these programs can work with judicious planning and over-sight. Dr. Thompson goes on to state:

“Fortunately, the program has been able to generate additional revenues to the university due to participant withdrawal. Therefore, a ready source of initial capital would be to call in the present value of savings due to early participant withdrawal for the past 5 years. Initial capitalization will permit the retirement program to move towards an experiential reserve development system. Each year reserves would be determined on the basis of (1) the beginning reserve adjusted for investment return (2) current year disbursements to active participants (3) cash additions due to past withdrawals (4) cash additions due to current year withdrawals (5) cash additions due to disability or death. This financial/actuarial reserve would be used to determine the number of program participants for the succeeding year.”

Dr. Thompson's reports are appended to this document for your consideration.

Further, the benefits of the retirement incentive programs extend beyond the potential salary savings. These programs would be valuable to the university and employees even if the financial savings were not as significant as reported. The faculty and staff identified many less quantifiable yet significant benefits from the programs. One of the most important was that these programs enabled the university to maintain an effective, high quality work force.

1. For employees in technical positions, as an example, the retirement incentive programs provide an opportunity to hire a younger, better technologically trained work force.
2. Faculty reported appreciation for the opportunity to recruit new hires to replace those who take part in a retirement incentive program. The new hires add intellectual vitality, new outlooks, and cutting-edge knowledge leading to new courses and program options for students.
3. Another benefit for departments is associated with improved morale of departmental faculty and staff.

An additional benefit was the opportunity, through the retirement incentive programs, to replace individuals whose performance has changed over time.

1. Without the retirement incentive programs, employees in physically demanding positions would have little choice but to work until retirement age. Some might not be able to perform their tasks and would qualify for long term disability (LTD). Having individuals on LTD would limit departments' ability to hire replacements.
2. The single overwhelming concern of the faculty was staying too long in the classroom. Examples could be cited of colleagues who became less effective in the classroom. Students, colleagues and administrators all benefit when faculty are able to retire before this happens.

The faculty and staff support continuation of the retirement incentive programs, not only because they might elect to participate, but also because they view the programs as a way for the university to have a high quality work force. There are instances where it is mutually desirable for an employee to retire early, but the medical and other financial benefits provided by the retirement incentive programs are essential for early retirement.

The retirement incentive programs are viewed as a valuable recruitment tool for filling positions with highly qualified applicants. Many of our current employees accepted positions at UNI anticipating that this benefit would be available to them when they chose to retire. There was some concern that discontinuing the programs would undermine the credibility of the university in its recruitment efforts.

The staff noted that the retirement incentive programs reward longevity and long-term employee commitment to the Regents System. Because merit staff members reach their highest pay step within 9-1/2 years of service, the retirement incentive programs are one of the few financial benefits of long-term employment at the university. It should be noted that "the phased

retirement policy for merit system employees was approved in June 1984 with no expiration date, and is consistent with Section 79.32 of the Code of Iowa" (now 70A.32) (in the September 2000 BOR docket).

The faculty and staff noted that changes in the way the retirement incentive programs are funded and administered appear to be needed. A frequently cited recommendation is to establish a central fund to handle the expenditures for these programs to relieve the burden on smaller departments or on departments that face several retirements in a single year. Another recommendation is that we establish a sound actuarial basis for the programs. The attached report from A. Frank Thompson states:

"If UNI's early and phased retirement program is to be administered on an actuarial basis, the funding risk should be diversified away as much as possible. Diversification would require that a separate early retirement fund be administered and invested for the entire parent population (i.e., all prospective program participants would have equal access to funding consideration). In addition, the mechanism for selection would need to reflect the issues of reserve adequacy and actuarial equivalence. Therefore, selection criteria should take into consideration (1) years of service, (2) age of participant at time of application and (3) university classification (i.e., selection should be diversified along the lines of P&S, Merit and Faculty, as well as, departments in the university)."

There were some concerns expressed about current practices in the administration of the retirement incentive programs at UNI. The faculty and staff desire equitable access to the benefits. We recommend that the minimum requirements for phased retirement for merit staff be age 57 and 15 years of service consistent with faculty and P & S requirements. Regardless of classification, all faculty and staff should receive equitable benefit packages as well as have the same qualifying criteria. In the current climate of decentralization, it is difficult to ascertain how equitably the programs are implemented across the UNI campus. Centralized records consisting of requests, denials and numbers of those dropping out of the program should be established. Centralized records would also help to establish a sound financial basis.

The faculty and staff are strongly concerned that individually negotiated benefit packages would result in inequities. Individual negotiation could encourage discriminatory practices in granting of benefits.

**In summary, the faculty and staff at the University of Northern Iowa:**

- Strongly support the continuation of the retirement incentive programs.
- Believe that the programs provide both financial and less quantifiable yet significant benefits to employees as well as the university.
- Recognize the need to establish a sound financial basis for the programs which might include centralized funding.
- Request an explanation of the financial reports made to the Board of Regents.
- Recommend further financial and actuarial analysis of the retirement incentive programs with a full data set.
- Believe that faculty and staff should receive equitable benefit packages as well as have the same qualifying criteria.



- Strongly believe that individually negotiated benefit packages would result in undesirable inequities.
- Request UNI establish centralized record-keeping of program requests, denials and withdrawals.
- Request a copy of any documentation submitted to the board office in regard to retirement incentive programs.

We ask that you consider our request to support the continuation of the early and phased retirement incentive programs at UNI and invite you to meet with us at your convenience. We also request a copy of any documentation and reports about the retirement incentive programs that are submitted to the board office on behalf of UNI.

Cc: Dan Sterenchuk, NISG

Randy Hayes, P&S Council

Ad Hoc Committee on the Regents Retirement Program

Jane Close, Supervisory and Confidential Merit Personnel

David Glime, Merit Personnel Advisory Committee

Louise Sandvold, Merit Personnel Advisory Committee

Cindy Angel, Professional and Scientific Council

Dennis Hayes, Professional and Scientific Council

Carol Cooper, Faculty Senate

Kay Treiber, Faculty Senate

Attachments

January 14, 2001

TO: Carol Cooper, School of HPELS  
Kay Treiber , Price Lab School

FROM: Frank Thompson, Dept. of Finance

RE: Initial Financial and Actuarial Analysis of the  
Early Retirement and Phased Retirement Programs at UNI

I have reviewed the following materials relative to UNI's Early and Phased Retirement Programs over the past 5 years: (1) Board of Regents (BOR) Memorandum September 15, 1998, BOR Memorandum September 7, 1999, and BOR Memorandum September 5, 2000; (2) UNI Report and Recommendations to BOR on The Early Retirement Program September 1998 and September 1999; (3) UNI Report and Recommendations on The Phased Retirement Program September 1999 and September 2000; (4) a listing of UNI Faculty Hired Prior to 7/1/92 with Birth Dates Between 7/37 and 7/50. While this information is not complete in terms of developing a comprehensive actuarial analysis of the UNI Early and Phased Retirement Programs, the data provided in these reports are sufficient to determine the financial standing of these programs to date.

**Financial Findings:**

Over the period from 1995 to 2000 UNI 's:

**Phased Retirement Program**

- released \$1.623 million in free cash flow to the university;
- provided release funds to UNI in every year of the program, permitting the university a source of funding for general budgeting purposes in each of these years;
- was the lowest cost program to administer among the regent's institutions in terms of total incentive amounts paid:

	1995-2000
University of Iowa	\$2.68 million
Iowa State Univ.	\$1.56 million
UNI	\$ .61 million

- had the fewest number of participants accepted for inclusion in the program when compared to the other regent's institutions for 1998 to 2000:

	Total Entrants by Year		
	1998	1999	2000
Univ. Iowa	15	18	25
Iowa State	16	24	19
UNI	13	6	6

Note: The number of participants accepted into UNI's program declined by a little more than 50% between 1998 and 2000;

- had no P&S and Merit participants accepted into the program during the years 1998, 1999 and 2000,

Note: Both Univ. of Iowa and Iowa State did admit P&S and Merit employees into the phased retirement program over the period from 1998 to 2000.

- provided the phased retirement benefit to a small number of the eligible cohort population:

Number Approved for Phased in 2000: 6

As of 1/04/01 those faculty who are currently eligible for Phased retirement: 65

Participants as a Percent of the Eligible Population: 9.2%

- had a significant number of phased participants withdraw from the program prior to their scheduled retirement date resulting in a greater return of released funds to UNI than what is shown on the BOR report:

As of July 1, 1999:

58 participants retired and of those:

26 completed the full phased retirement period

31 withdrew prior to the end of the phase period

1 withdrew due to disability

Note: The UNI reports do not provide any information on the number of participants who may have withdrawn due to death. Any withdrawals from the program from pre-mature death would also increase the amount of released funds UNI would obtain from the program.

#### Early Retirement Program:

- generated approximately \$3.22 million in free cash flow to the university from 1998 to 2000;
- provided release funds to UNI for every year reported, permitting the university a source of funding for general budgeting purposes in each of those years;
- was the lowest cost program to administer among the regent's institutions in terms of reported future benefit liabilities;
- had the fewest number of participants accepted for inclusion in the program when compared to the other regent's universities:

	Participants By Year		
	1998	1999	2000
Univ. of Iowa	54	107	122
Iowa State	57	87	74
UNI	31	22	20

Note: The absolute number of participants accepted into the early retirement program has declined at UNI from 1998 to 2000, whereas the number accepted has increased at the University of Iowa and Iowa State.

- no data has been provided on the number of withdrawals from the program which would be important in assessing any additional release of funds to UNI other than those identified in the UNI reports to the BOR.

**Conclusions and Implications for Further Research:**

UNI's Early and Phased Retirement Program has generated substantial released funds to the university general fund over the period from 1995 to 2000 (\$ 1.6 million for phased, \$3.2 million for early retirement). In terms of absolute cost, UNI's program is much less expensive to administer than those of University of Iowa and Iowa State. The smaller expenses may be due, in part, to the significantly lower number of participants that have been accepted into the programs in comparison to University of Iowa and Iowa State. For year 2000, there were 6 participants for phased retirement at UNI versus 19 at Iowa State and 25 at Univ. of Iowa. For year 2000, there were 20 accepted participants for early retirement at UNI versus 74 at Iowa State and 122 at the University of Iowa. In addition, the number of participants for early retirement declined at UNI over the years from 1998 to 2000, whereas the number of accepted participants increased significantly at University of Iowa and Iowa State.

One area that has not been addressed within the UNI reports to the BOR is the savings and attendant generation of cash flow due to program withdrawal. Withdrawal can occur either voluntarily or through death and disability. This feature is germane to any evaluation of the financial and actuarial standing of retirement benefits because of the age of the cohort population and the additional funds that are released due to withdrawal.


Laying aside the issue of withdrawals, UNI's financial experience with the early and phased retirement programs shows that the university: (1) has obtained significant released funding from the programs (2) has restricted the programs to a few number of participants by categories (Faculty, P&S and Merit), as well as, total numbers in comparison to other regent's universities and (3) has a large number of phased faculty participants who elect to withdraw from the program before their scheduled retirement period has been completed.

In light of these initial findings, my suggestion is that additional information be collected in the following areas: (1) withdrawals of participants 1995 to 2000 (2) survey of phased and early retirement participants 1995 to 2000 and (3) analysis of additional funds released due to program withdrawals from 1995 to 2000.



January 15, 2001

TO: Carol Cooper, HPELS  
Kay Treiber, Price Lab School

FROM: Frank Thompson, Dept. of Finance 

RE: Modeling UNI's Prospective Early and Phased Retirement Benefits

An examination of UNI's retrospective experience with early and phased retirement benefits from 1995-2000 shows the following finance and actuarial trends: (1) the program generates positive year-to-year cash flows to the university by taking advantage of the differential between annual faculty salary and the reduced retirement benefit paid to program participants, (2) additional financial cash flows accrue to the university whenever a participant withdraws early, and during this period more than 50% of phased retirees withdrew before the end of their scheduled retirement period, (3) selection of program participants and financing appears concentrated in a few colleges and areas of the university which may make the program undiversified with respect to funding risks, and (4) if the program is to operate on the actuarial principles of equity, adequacy, equivalence and liability recognition, then capitalization, reserving, selection, and reporting will need developed to recognize prospective experience with respect to early and phased retirement participants.

#### **Development of Financial Reserves and Initial Capitalization:**

To place UNI's early and phased retirement program on sound financial footing, funding will have to move away from cash flow underwriting towards upfront benefit financing. Such a move will require initial capitalization to supplement the immediate benefits from the program (i.e., annual salary differential). Fortunately, the program has been able to generate additional revenues to the university due to participant withdrawal. Therefore, a ready source of initial capital would be to call in the present value of the savings due to early participant withdrawal for the past 5 years. Initial capitalization will permit the retirement program to move towards an experiential reserve development system. Each year reserves would be determined on the basis of (1) the beginning reserve adjusted for investment return (2) current year disbursements to active participants (3) cash additions due to past withdrawals



(4) cash additions due to current-year withdrawals (5) cash additions due to disability or death. This financial/actuarial reserve would be used to determine the number of program participants for the succeeding year.

### **Funding Risk Diversification and Selection**

If UNI's early and phased retirement program is to be administered on an actuarial basis, the funding risk should be diversified away as much as possible. Diversification would require that a separate early retirement fund be administered and invested for the entire parent population (i.e., all prospective program participants would have equal access to funding consideration). In addition, the mechanism for selection would need to reflect the issues of reserve adequacy and actuarial equivalence. Therefore, selection criteria should take into consideration (1) years of service (2) age of participant at time of application and (3) university classification (i.e., selection should be diversified along the lines of P&S, Merit and Faculty, as well as, department in the university).

### **Financial/Actuarial Methodology**

The suggested methodology is to use experiential actuarial reserving utilizing the following assumptions and model:

- (1) Initial Capitalization Using 1995-2000 Withdrawal Experience
- (2) Long-term Interest Rate Assumption of 5.5% that may be changed every 3 years
- (3) Use of an appropriate SOA unisex mortality table
- (4) Employment of actual withdrawal experience starting at inception of reserving – beginning in 2002
- (5) Determination is to be made at the end of each year with no more than 50% of capitalized reserves available

The model will be based on the continuous reserving formula:

$$\frac{d \{l_{x+t} \bar{V}\}}{dt} = ACF_w w_{x+t} + \delta l_{x+t} \bar{V} + ACF_d l_{x+t} \mu_{x+t} - BD l_{x+t}$$

where the time derivative of the actuarial reserve is equal to:

- (1) the additional cash flow from program withdrawals
- (2) the increase in the fund due to investment experience
- (3) the additional cash flow from pre-mature death
- (4) less benefit disbursements

#### Financial and Actuarial Caveats

To the achieve the benefits of actuarial reserving, a separate fund must be created and maintained without monies being removed for any purpose but to fund program participants. In order to diversify funding risk, the fund would have to be centralized and the selection of program applicants determined in such a way as to spread program experience among all units of the university with emphasis to those at higher levels of service and age. Any deviation away from these principles would undermine the actuarial and financial standing of the model.